

# Stewardship Forum

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### Stewardship Tools for Individuals : Budgeting & Saving Tips

**Title:** How to make wise financial decisions in a consumer crazy culture?

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Today we are constantly bombarded with an unending assortment of things that we are made to feel we can't live without. We want to live like Mum and Dad when we are only a few years into our marriages, and we also want to "keep up with the Joneses." If we are to achieve a balanced life, however, we must use our money strategically to ensure that we have time to spend on building relationships with our partners and our children.

Using money wisely involves making the right decisions especially in four critical areas: housing, cars, lifestyle and investments.

#### 1. The bigger house decision

The house decision is the most critical financial decision most of us will make. Several pointers will help young couples make this decision wisely. First, never buy a first home on both the husband's and the wife's income. Second, act as if the wife's income is not there and save it. Third, don't buy the lie that renting is always bad; many times we are better off renting longer so we can save for a greater down payment and thereby reduce our mortgage payment.

Later about eight to fifteen years into a couple's work and marriage, the temptation to buy a bigger house crops up again. Growing children, the stuff the Joneses have, and dad's increasing salary are all factors that work to create a perceived need for a different – usually bigger – house. However, one of the best things a couple can do to balance work and family life during the formative years of their children's lives is to live in the older, smaller house a few years longer. Instead of having a great percentage of their earnings earmarked for the house, more discretionary funds can be invested in family activities such as vacations, ball games and the like.

That is not to say that we should never buy a bigger house. However, considerations should be given to purchasing a new house only when adequate savings have been accrued so that the family's monthly spending patterns will not have to be changed. Also, only change houses if it will enhance the environment you want for your family.

#### 2. The new car decision

Buying new cars frequently is a good way to keep one's finances on the edge by keeping the cash flow tight. Car purchases also count for much of the debt that creates stress and throws a family off balance.

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The best way to approach buying a car is as follows: pay cash if at all possible, buy used instead of new cars, and plan to drive each car you buy for at least ten years. Instead of making monthly payments on a new car, set aside the payment amount in a saving account for the next five years in order to be able to pay in cash for the next car. The key to reversing the debt cycle is driving the older car for longer.

### 3. Lifestyle decisions

Another mistake people make is to develop expensive habits and hobbies. Although these can seem affordable early in a marriage when there are two incomes, they can become tremendous drain on the budget later on.

Sometimes couples will continue habits such as eating out frequently or taking expensive holidays and pay for these indulgences with a credit card. Instead, their attitude towards their lifestyle must change. They should tell themselves, "If we can not pay cash, we will not do it."

### 4. Investment decisions

I have seen many cases where couples attempting to 'make it big' took inordinate risks with their investments only to lose their money. Many times the motivation for the risk was good: to make a lot of money so that they would have time and flexibility to spend with the family.

It is great if such investments work out. But, what if the investment turns sour? I believe the risk is too great, and I discourage people I advice on financial matters from taking undue risks with investment money until children are at least eighteen. Financial independence occurs by spending less then we earn over a long period of time, not from gaining big returns on investments.

This article is an extract from the book *A Life Well Spent* written by Russ Crosson. It is used here with the permission of Ron Blue and Co (Ltd).

**About the author – Russ Crosson** is certified financial planner with Ron Blue and Co (Ltd). He and his wife Julie are well known speakers on the topic of money, marriage and communications. They live in Georgia, USA.